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Just the facts, please

By JACK HOFFMAN

When the Legislature's Joint Fiscal Office released its latest tax study recently, Gov. James Douglas missed a great opportunity to give Vermonters some good news. The study looked at a dozen states and found that low- to moderate-income taxpayers – in other words, the large majority of Vermonters – pay less than their counterparts in the other states.

Instead, the governor used the study to lash out at Democrats. "I will not tolerate efforts by this majority to sugarcoat our extraordinary tax burden – one of Vermont's most significant obstacles to prosperity," he fumed to the Burlington Free Press. He claimed the study was designed to prove there was more room to impose higher taxes.

The study did nothing of the sort. In fact, the Joint Fiscal Office analysts made no judgments about Vermont's overall level of taxation or whether taxes should be raised or lowered.

What they did do was create 24 hypothetical tax filers – couples, single filers, heads of households, high-income, moderate-income, low-income. Then they prepared income tax returns for Vermont and 11 other states for each of the cases. They also calculated sales and other taxes and then compared results.

The study found that Vermont still has a progressive tax system – that is, filers in the low- and moderate-income ranges pay proportionately less than those in the higher brackets – and that most Vermont taxpayers fare better here than they would in the other states, at least for the taxes included in the study.

The report didn't say whether this progressive system was good or bad, although progressivity has been a hallmark of Vermont's income tax for many years. Nor did the study suggest that any of the hypothetical taxpayers should pay more or less.

Instead, it provided the kinds of basic data that should inform any policy discussion.

In addition to questioning the motives behind the study, Douglas complained that it did not include property taxes when comparing the 12 states. That was a limitation, but it didn't take away from the information the study provided.

And the fact is the data to do this kind of property tax analysis aren't available for Vermont, let alone for the other 11 states.

For a few years in the mid-1990s the state gathered that information – real numbers for what people in different income brackets were paying in property taxes in each community. Then it stopped. That's too bad, because if policymakers want to have a meaningful discussion about education funding, they need to know the effects the current system has on people in all tax brackets.

When it comes to taxes, the governor seems to look for bad news.

He often cites the Tax Foundation, which recently released a report that claimed Vermont had one of the worst tax climates for business. In a study last spring, it said Vermont had the highest "state-local tax burden" in the country.

That study boiled down each state's tax system to a single number and then ranked them on that one measurement.

One thing that should be clear from the Joint Fiscal Office study is that Vermont's tax system cannot be judged by a single calculation. Different taxes affect different people in different ways, and the key to developing sound policy is understanding those differences.

There is one other aspect that all of these tax studies overlook. They don't take into account how the money is used. For Vermonters to judge whether the governor is right when he says taxes are too high, they need to know what they are getting for their money and whether the services provided are the ones they want.

Neutral, factual information like the Joint Fiscal Office study should be used to foster debate, not stifle it.

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